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FISCAL IMPACT STATEMENT

LS 7725

BILL NUMBER: SB 419

NOTE PREPARED: Jan 14, 2003

BILL AMENDED:

SUBJECT: Worker's Compensation.

FIRST AUTHOR: Sen. Merritt

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill eliminates liability for failure to obtain evidence of worker's compensation coverage from a contractor or subcontractor. It repeals provisions requiring that an independent contractor obtain a certificate of exemption. The bill excludes executive officers of a corporation with fewer than three executive officers from the definition of "employee" for worker's compensation purposes. It requires the Worker's Compensation Board to define "independent contractor".

Effective Date: July 1, 2003.

Explanation of State Expenditures: The repeal of the requirement that an independent contractor obtain a certificate of exemption could reduce expenditures for the Department of State Revenue and the Workers' Compensation Board. The amount of the savings is unknown, but is probably minor. About 6,164 certificates were issued during FY 2002 and about 9,246 during FY 2001.

The provision excluding executive officers of a corporation with fewer than three executive officers from the definition of "employee" for worker's compensation purposes would have no state impact. The Workers' Compensation Board might incur some additional expense in defining "independent contractor"

Explanation of State Revenues: The Independent Contractor Fee generated \$92,615 for the Workers' Compensation Board and \$30,665 for the Department of Revenue for FY 2002.

Background: All Indiana employers must obtain worker's compensation from a private insurance carrier. If an injury to an employee occurs and results in more than one day away from work, the employer must electronically file an *Indiana Worker's Compensation First Report of Employee Injury, Illness* report.

Certification of Independent Contractor Status and Worker's Compensation Exemption: Independent contractors in the construction and building trade are required to apply to the Indiana Department of Revenue for certification of independent contractor status. Clearance must first be received from the Department of Revenue before an application for exemption may be processed by the Worker's Compensation Board. The independent contractor must certify that he or she has worker's compensation coverage for all employees in accordance with IC 22-3-2 through IC 22-3-6 and that the independent contractor desires to be exempt from being able to recover under the worker's compensation policy or self-insurance of an individual for whom the independent contractor will perform work only as an independent contractor. There is a seven-day waiting period before a certificate can be validated. The fee for each certificate is \$20. The fee was increased in July 2001 from \$5 to \$20.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue, Workers' Compensation Board

Local Agencies Affected:

Information Sources: *Indiana Handbook of Taxes, Revenues, and Appropriations.*

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